



## Dealing with Debt

Debt can be an issue for many offenders. For example, research suggests that around half of all prisoners have a history of debt problems; a third of all prisoners find that their problems get worse during their time in prison and 81% of offenders go on to claim benefits upon their release. Similarly, offenders on community sentences are likely to experience significant debt issues and an ex-offender with debt problems is more likely to return to crime in order to make their payments.

Understanding how to manage money is key to resolving debt issues and this guide is designed to give you basic advice and information on how to deal with your debts and where to go for further help.

On the back page of this guide is a list of organisations that may be able to help you or your family to deal with creditors whilst you are in prison, on remand or once you are released. There is also a list of internet sites which you may find useful to visit. Many prisons now offer advice sessions to prisoners and several organisations can offer help and advice to your family while you are in prison. These organisations can also help ex offenders on their release from prison.

If you find it difficult to understand money matters, there are courses open to you either while you are in prison or on your release. There are also several very useful online courses to teach you about getting the best out of your money. Your prison education service will be able to provide you with more details and may run literacy classes and financial capability courses.

### **A Note of Caution about TV and Newspaper Advertisements**

You will no doubt have seen advertisements in the newspapers or on television offering easy credit. You should be very wary of taking out loans with these companies because the interest charged will be high and it will be an extremely expensive way of borrowing money in the long term.

You may also have seen various companies advertising on the television or in newspapers, offering to clear your debts or to make a case in court that you do not owe the money. You may be interested in using these services, but should be aware that these companies charge fees for their services and cannot guarantee that your debts will be written off.

## Realistic Budgeting

The key to dealing with debt is to identify a realistic budget which includes planning for unexpected expenditure like repairs or special occasions and stick to it. This can be quite a disheartening process when money is tight and there never seems to be enough to cover all your needs. You can get help with this either by using a self help pack which you can get from CABx and other advice agencies or by contacting one of the organisations you will find on the back page of this guide.

Sometimes just writing down everything that you spend your money on and comparing that to the income that you receive, will help you to see why you are getting into debt. Make sure that you are getting all the income and grants you are entitled to. Once you can see clearly where your money is going, you may be able to identify ways to reduce your expenditure on some items and prioritise your spending. You may find cheaper alternatives, for example buying items from charity shops or you may find a group in your area (e.g. freecycle) that offers unwanted items free if you collect them. If you have access to the Internet there are lots of sites that offer discounted prices on a variety of items. There is a list of useful Internet sites on the back of this leaflet.

Prisoners who have been working or been dependant on benefits will find it particularly tough when that income ceases and safeguards need to be put in place to ensure your rent or mortgage is paid whilst you are in prison. If you have a partner and / or children, he or she may be entitled to benefits in their own right. You can find out more about this on the following pages.

Understanding what can happen if you don't pay for essential items for example your rent or mortgage or your utility bills will help you to decide your priorities.

## What can happen to me if I don't pay my creditors?

Different creditors have different sanctions open to them if you don't pay your debts.

### Mortgage and Rent

It is important to pay bills like your mortgage or rent because your home is at risk if you don't. Non payment of rent or mortgage allows a landlord or mortgage lender to repossess your home so these will always be a priority to repay.

### Rates

Most occupiers are liable to pay rates although if you rent in the private sector, this may be the responsibility of your landlord. If you are not sure whether you are responsible then check your tenancy agreement.

If you get into arrears with your rates and do not make an offer to repay then you will lose your right

to pay in instalments and ultimately court proceedings will be commenced to recover monies owed. If a court order (a decree) is granted and you do not make arrangements to repay the debt this may lead to enforcement which could include bankruptcy.

### Utility Bills

If you don't pay your utility bills for example your gas, electricity or telephone bills you could be disconnected (although this is rare). You cannot be disconnected without a court order.

### Credit Debts

Payment of credit debts, for example credit cards or loans will usually only be a priority if you own your property because the

worst a creditor can do is to take you to court and seek a County Court judgment requiring you to pay.

Although this is to be avoided if possible, the court will almost always allow you time to repay.

Homeowners however, should be aware that if no proposal to repay the debt is agreed with the creditor or the court, then the creditor may seek to secure the debt on your property.

### Summary

So, the following expenditure should always be considered a priority: Rent or mortgage payments, rates, utility bills and taxes.

## Are you getting all the benefits, tax credits and maintenance you are entitled to?

Prisoners who had been claiming benefits will find that whilst in prison they will no longer be entitled to benefits although there are some exceptions to this (see below), however, a partner may be able to claim in their own right.

Below is a brief summary of the key financial help you may be entitled to as a prisoner or ex offender:

### Income Support

Prisoners whether convicted, on remand or on temporary release are not entitled to claim Income Support if they are in prison for more than 21 days, but your partner can claim either as a single person or a lone parent if they are eligible.

People on home detention curfew are entitled to income support, as are those released on licence or parole, in a probation or bail hostel, or detained in hospital under the Mental Health Act 1983.

If you are in a bail or probation hostel, and your partner is claiming income support, he or she can claim the couple's rate. It

is important that you inform social security of your change in circumstances.

### Tax Credits

If you had been receiving tax credits, you will no longer be able to claim them while in prison. However, your partner, if working, may be entitled to Working Tax Credit and whoever is looking after your children can claim child benefit and / or Child Tax Credit if they meet the eligibility criteria.

### Paying your utility bills

Whilst you are in prison, you will be receiving little or no income so you will need to contact your utility suppliers and inform them of your circumstances. You should

be able to come to an agreement to pay any outstanding bills on your release. If you have a partner who is remaining in your property whilst you are away, he/she can arrange for the utilities to be put into his/her name. He/she will then be responsible for the bills but will not be responsible for any arrears you may have accrued. If no one will be living in your home while you are away, it may be a good idea to get your utilities disconnected so as not to get into arrears.

### Help with rent and rates

If you rent your property, and have been remanded in custody awaiting trial or are required to

live in a bail hostel you are entitled to housing benefit for up to 52 weeks, providing you are eligible. However, if you are sentenced to prison, you can only claim housing benefit if your absence from home will be 13 weeks or less.

If you are unable to claim housing benefit then your partner may be able to apply in their own right, even if you are a sole tenant. Your partner should seek advice as soon as possible.

## Help with your mortgage

If you are buying your home with a mortgage you should inform your mortgage lender of your change in circumstances and see if you can come to an arrangement for a repayment 'holiday' until your release. This will only be an option if you have a short sentence.

You may wish to think about renting out your home until your return. The rent can be used to make your mortgage repayments. You should seek advice as soon as possible about this. If you have a partner who is remaining in your home, they may be able to get help with paying the interest on

the mortgage if they are claiming income support or on a low wage. If you are unable to get any help with your mortgage, you may need to consider selling your home so as not to get into unmanageable debt.

## Child Maintenance

If you have been paying child maintenance money, you need to let the Child Support Agency know that you are in prison.

You must tell the Child Support Agency within 1 week about this. It is a criminal offence if you do not tell them within a week of any changes.

You **do not** have to pay child maintenance if you are not working or getting benefits.

## Getting back to work

Once you are released from prison there are a variety of schemes available to help you get back to work. Jobtrack is a partnership between NIACRO and the Probation Board for Northern Ireland, working to "increase the employability of offenders in the community".

Contact information for NIACRO can be found at the back of this leaflet.

Progress to Work NI is a voluntary programme designed to help people including ex-offenders who want to work. You can find out more details about this from the Department of Employment & Learning.

## Getting money while in prison

You may be offered the chance to work or take part in an education programme for which you will be paid. A small basic rate is also paid to prisoners who have not been offered work or training. This money, and any money you had on you when you entered prison or are given by friends or relatives is kept in a prison personal account. You can spend this in the prison shop to buy personal things like sweets, cigarettes and toiletries. How much you are allowed to spend will depend on whether you have been convicted or not and where you are imprisoned. If you are unconvicted, you will be able to have access to your bank account and carry on any legitimate business.

## What options are there for dealing with my debts?

The most important thing to do if you get into debt is not to panic and to seek advice and assistance as soon as possible. Although it is tempting to bury your head in the sand and hope the problems will go away, letting creditors know that you are having difficulties is the first step towards taking control of your finances. There are plenty of different agencies that can help you with this. Some of them are listed on the back of this leaflet.

Whilst you are in prison, your options for dealing with your debts will be limited as you will have little or no income with which to make offers to repay. It is important to inform your creditors of your change in circumstances and try and negotiate a repayment holiday or token payments. A money adviser can help you draw up a financial statement and if you wish, deal with the creditors on your behalf. If you have a partner and/or children, they may find it difficult to manage when you are away both emotionally and financially. There are many organisations that offer both support and advice and assistance to prisoner's families. You will find contact details for some of these organisations on the back of this leaflet.

Below is a short summary of different options that might be available to you, for more details on any of these options, please contact your nearest advice centre.

## Debt Management Plans (DMPs)

There are two different types of debt management plans. A formal DMP is where an agency will work out your disposable income and then share that between your creditors. You make one payment to the agency, usually monthly and they distribute that sum on a pro-rata basis to your creditors. The advantage of this option is that the agency deals with the creditors on your behalf and you only have to make one payment to one agency instead of paying all the different creditors separately. Some DMP companies however, will only accept you on a plan if you have at least £100 disposable income per month.

## Negotiating with Creditors

Most creditors are open to negotiation when people find themselves in financial difficulty. You may be able to arrange no payments or smaller repayments for a short period in cases of temporary difficulty. Occasionally, if you have no spare money available to repay your debt, it may be possible to ask the creditor to write your debt off or if you have a lump sum available that is not enough to repay the whole debt you may be able to negotiate a full and final settlement offer. Negotiating with creditors can be tricky but there are plenty of experienced money advisers that can help you with this.

## Bankruptcy

If you have many debts and your situation is unlikely to improve in the foreseeable future, declaring yourself bankrupt might be a suitable option for you. This involves going to court and asking for a bankruptcy order. Once the order is made, you will have very limited access to credit and if you have disposable income this may be used to pay your creditors. Usually you will be discharged from bankruptcy within a year. However, this is not an option that should be taken lightly. If you are a homeowner you are likely to lose your home. If this is an option you would like to consider you should get advice from an experienced money adviser.

## Understanding Money Matters

### Managing your Finances

For some people, managing their finances is an uphill struggle. Problems with reading, writing or numbers can make tasks like writing cheques or understanding a bank statement extremely difficult. People who have these difficulties are excluded from making informed choices about how to spend or save their money. Most prisons have opportunities for prisoners to take literacy and numeracy classes and there are a number of online courses available to help you understand financial matters. Ask your personal officer about classes which may be available or contact one of the organisations listed on the back page of this leaflet for further details.

### Bank Accounts

Nowadays we all need to have a bank account into which wages and or benefits can be paid, but there are many different types of account and some work better than others depending on your financial situation. Some people find it difficult to open a bank account because of a poor credit history. A money adviser can help you with this and explain the advantages and disadvantages of different types of bank account.

### Credit

Many people get into financial difficulties through relying on credit to subsidise low incomes. However, most of us use credit at some time in our lives to pay for expensive items or when faced with unexpected expenditure. Some forms of credit are extremely expensive whilst others provide an easy low cost way to spread the cost

Catalogues offering a variety of goods allow you to pay for items in instalments usually over 20-38 weeks or longer for high-priced items. However the cost of the item is likely to be much higher than from discount stores on the high street or via the Internet.

Credit unions offer low-cost loans to their members. A credit union is a profit-sharing co-operative run by its members. The three main aims of a Credit Union are to encourage its members to save regularly; to provide loans to members at very low rates of interest and to provide members with help and support on managing their financial affairs if required.



## Organisations you can contact for further help:

### NIACRO

#### Belfast Office

Amelia House  
4 Amelia Street  
Belfast BT2 7GS  
Tel: 028 9032 0157  
E-mail: niacro@niacro.co.uk

#### North West Office

City Factory  
19 Queen St  
Derry/Londonderry BT48 7EF  
Tel: 028 7126 4555  
E-mail: nw@niacro.co.uk

#### Armagh Office

21b Railway Street  
Armagh BT61 7HP  
Tel: 028 3751 0050  
E-mail: sw@niacro.co.uk

#### Armagh Office (Caps Project)

1a Russell Street  
Armagh BT61 9AA  
Tel: 028 3751 1433  
Email: caps@niacro.co.uk

### Advice NI

1 Rushfield Avenue,  
Belfast BT7 3FP  
T: 028 9064 5919

### Housing Rights

4th Floor Middleton Buildings  
10 - 12 High Street  
Belfast BT1 2BA  
T: 028 9024 5640

### The Companies Registry (for Credit Unions)

Department of Enterprise, Trade and Investment  
1st Floor, Waterfront Plaza  
8 Laganbank Road  
Belfast BT1 3BS  
T: 0845 604 8888

### Useful links and resources:

[www.nidirect.gov.uk](http://www.nidirect.gov.uk)

[www.niprisonservice.gov.uk](http://www.niprisonservice.gov.uk)

[www.thesite.org/homelawandmoney/law/introuble/breakingfree](http://www.thesite.org/homelawandmoney/law/introuble/breakingfree)

[www.creditunion.ie](http://www.creditunion.ie)

[www.prisonersfamilieshelpline.org.uk](http://www.prisonersfamilieshelpline.org.uk)

[www.sharp-uk.org](http://www.sharp-uk.org)

